

FEB 01 1989

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE TENNESSEEMETHODS AND STANDARDS FOR ESTABLISHING PAYMENT
RATES FOR INPATIENT HOSPITAL SERVICES

405, except those hospitals described in Item C. of Providers Exempted from Prospective Payment Methodology, which shall be reimbursed as described in that item. The maximum limit of such reimbursable costs shall be the lesser of : (a) the reasonable cost of covered services, or (b) the customary charges to the general public for such services. Provided, however, that such providers which are public hospitals rendering services free or at a nominal charge shall not be subject to the lower of cost or charges limitation but shall be paid fair compensation for services in accord with the provisions of 42 CFR 405. Each provider's per diem reimbursable cost will be based on the provider's cost report.

- A. Interim Rate - An interim per diem reimbursable rate for these providers will be established by the Comptroller of the Treasury. The interim rate remains in effect until the provider's actual reimbursable cost, based on the provider's cost report, is established. Interim rates shall be based on prior cost report data and shall be subject to revisions upon further review, audit and/or subsequent finding. For new facilities, budgeted information supplied by the provider may be used to establish an interim rate.
- B. Approval of Initial Settlement - When a provider's cost report is received, it is reviewed and compared with:
- (1) The amount of charges for covered services provided to Medicaid beneficiaries by the provider during the provider's fiscal period.
 - (2) The amount of interim payments paid by the Department of Health and Environment to the provider for the provider's fiscal period.
 - (3) The number of inpatient days approved for the provider by the Department of Health and Environment during the provider's fiscal period.

On the basis of the comparison and review, an initial determination will be made of the cost settlement due to the provider or the State for the designated period. Approval of the initial settlement will be subject to further review, audit and/or subsequent finding

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SUPERSEDES

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of the Comptroller of the Treasury. On the basis of the initial settlement, the Department of Health and Environment will either make arrangements for an additional payment to the provider for services provided during the fiscal year or submit a claim to the provider requesting payment to the Department of Health and Environment for the amount of overpayment made to the provider during the fiscal year.

- C. Approval of Final Cost Settlement. After the necessary final review and/or auditing has been performed by the Comptroller of the Treasury, the Comptroller will advise the Department of Health and Environment of the final cost settlement approved. On the basis of the approved final settlement, the Department of Health and Environment will either make arrangements for an additional payment to the provider for services provided during the fiscal year or submit a claim to the provider requesting payment to the Department of Health and Environment for the amount of overpayment made to the provider during the fiscal year.
- D. Inpatient Routine Operating Per Diem Cost Limitation. In the event that data is not available to compute the inpatient routine operating per diem cost limitation for all or any part of a provider's fiscal year, the Comptroller of the Treasury will use each provider's per diem cost limitation in effect prior to the provider's first fiscal year subject to prospective payment which will be appropriately trended, by that rate of increase on prospective payments allowed by Medicare as published annually in the Federal Register and in the Tennessee Administrative Register.

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STATE TENNESSEE

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
FOR INPATIENT HOSPITAL SERVICES

The State has in place a public process which complies with the requirements of Section 1902(a)(13)(A) of the Social Security Act.

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